

September 30, 2002

BOARD OF SUPERVISORS

County Government Center
385 North Arrowhead Avenue, Fifth Floor
San Bernardino, CA 92415-0110

Enclosed are copies of the audit reports prepared by the Internal Audits Section for the quarter ending September 30, 2002.

Respectfully submitted,

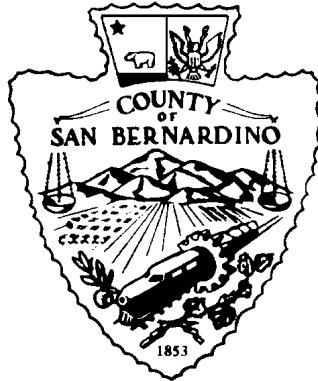
Larry Walker
AUDITOR/CONTROLLER-RECORDER

By: _____

Howard Ochi
Chief Deputy Auditor

LDW:HO:spr

Attachments (5)



AUDIT REPORTS

PREPARED BY INTERNAL AUDITS SECTION

FOR THE QUARTER ENDING

SEPTEMBER 30, 2002

Office of

AUDITOR/CONTROLLER-RECORDER

DEPARTMENTS

FISCAL GROUP

Treasurer's Cash and Investments Audit – December 31, 2001	1
--	---

HUMAN SERVICES SYSTEM

Public Health Department – Cash Loss at Clinic in Barstow	3
Public Health Department – Surprise Cash Count July 25, 2001	7

INTERNAL SERVICE GROUP

Fleet Management Inventory	11
Central Stores Inventory	13

JPA'S AND OTHERS

Mgmt Letter - Agua Mansa Industrial Growth Association	15
--	----

SPECIAL DISTRICTS

Ambulance Billings	19
--------------------------	----

AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

AUDITOR/CONTROLLER • 222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830

RECORDER • COUNTY CLERK • 222 West Hospitality Lane, First Floor
San Bernardino, CA 92415-0022 • (909) 387-8306 • Fax (909) 386-8940

LARRY WALKER

Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK

Assistant Auditor/Controller-Recorder
Assistant County Clerk

June 18, 2002

Richard Larsen, Treasurer/Tax Collector
172 W. Third St., First Floor
San Bernardino, CA 92415-0360

SUBJECT: TREASURER'S CASH AND INVESTMENTS AUDIT DECEMBER 31, 2001

Introductory Remarks

In accordance with California Government Code Sections 26920 through 26923 and County Board of Supervisor's resolution dated July 6, 1971, we have completed a cash count and reconciliation of the Treasurer's Cash Book as of December 31, 2001. In addition, we evaluated investments for compliance with California Government Code Section 53601, "Securities Authorized for Investment" and with the Treasurer's Investment Policy.

Scope of Audit

We audited selected financial transactions, operations, procedures, and controls in effect over cash and investments. Our audit was made in accordance with generally accepted auditing standards and included such tests of the records and other auditing procedures as we considered necessary in the circumstances.

Audit Results

Cash and Investments of \$2,254,399,277 as stated in the Treasurer's cashbook at December 31, 2001 reconciled to cash on hand and supporting documentation in all material respects. In addition, we noted that the Treasurer's office amortized the premium/discount on governmental bonds using the straight-line method. However, generally accepted accounting principles require that the effective-interest method be used in calculating the amortization. Based on our testing it appears that the difference is not material. There were no instances of non-compliance noted in the evaluation of compliance with California Government Code Section 53601 and the Treasurer's Investment Policy.

WILLIAM H. RANDOLPH
County Administrative Officer

BILL POSTMUS First District
JON D. MIKELS Second District

Board of Supervisors
DENNIS HANSBERGER Third District
FRED AGUIAR Fourth District
JERRY EAVES Fifth District

ML\Treasurer Cash Count
Richard Larsen
June 18, 2002
Page -2-

Our study and evaluation, made for the limited purpose described above, would not necessarily disclose material weaknesses in internal controls. Nothing came to our attention that indicated procedures and controls are not materially adequate.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

Copies to:

County Administrative Office
Board of Supervisors
Grand Jury (2)
Investment Oversight Committee (4)

By: _____
Linda Kjeldgaard, CPA
Internal Auditor II
Internal Audits Section

Audit File (3)

Date Report Distributed: _____

LDW:LK:spr.2

AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

AUDITOR/CONTROLLER • 222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830

RECORDER • COUNTY CLERK • 222 West Hospitality Lane, First Floor
San Bernardino, CA 92415-0022 • (909) 387-8306 • Fax (909) 386-8940

May 14, 2001

LARRY WALKER
Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK
Assistant Auditor/Controller-Recorder
Assistant County Clerk

DOUG HALLEN, Public Health Programs Administrator
Public Health Department
351 North Mountain View Avenue
San Bernardino, CA 92415

**SUBJECT: INTERNAL CONTROL RECOMMENDATIONS RELATED TO THE
CASH LOSS AT THE PUBLIC HEALTH CLINIC IN BARSTOW.**

Introductory Remarks

We have completed an audit of the cash loss at the Public Health Clinic in Barstow. We conducted the audit according to the authority granted under Article V, Section 6 of the San Bernardino County Charter and the Board of Supervisors' Policy Statement of Internal Operational Auditing.

Background

The Public Health Department contacted the Internal Audits Section of the Auditor/Controller-Recorder's Office regarding a September 11, 2000 cash loss of \$160. The cash loss was also reported to Risk Management and to the Sheriff Department as required by County policy.

A draft report was sent to the Public Health Administration on April 25, 2002 and was discussed at the Exit Conference on May 22, 2002. Responses to our recommendations dated June 19, 2002 are included in this report.

Audit Scope

Our audit covered cash control procedures in effect during the cash loss and was made in accordance with the standards developed by the Institute of Internal Auditors. We also reviewed compliance with procedures outlined in the Internal Controls and Cash Manual.

We documented the circumstances related to the cash loss and identified organizational, procedural, and accounting changes, which will strengthen the internal control structure over cash. Our findings and recommendations are presented in this report.

Board of Supervisors

WILLIAM H. RANDOLPH
County Administrative Officer

BILL POSTMUS First District
JON D. MIKELS Second District

DENNIS HANSBERGER Third District
FRED AGUIAR Fourth District
JERRY EAVES Fifth District

This audit, made for the limited purpose described above, would not necessarily disclose all material weaknesses in the internal controls.

FINDINGS AND RECOMMENDATIONS

Finding One: **Daily Cash Receipts and Change Fund are not properly safeguarded.**

The daily cash receipts and change fund are stored in a safe that remains open during business hours. The safe is purposely left open because it is difficult to unlock. On occasion, an unauthorized employee was asked to assist in opening the safe. Additionally, employees in the same building, but in different departments, know the safe's combination. Unrestricted access to safe contents can lead to cash losses where accountability cannot be determined.

Recommendation:

Keep safe locked at all times when not in use. Have authorized employees memorize the safe combination and/or keep safe combination in secured location. Also, limit the number of employees who have access to the safe combination and change the combination to the safe.

Response:

The combination of the safe was changed on March 22, 2002. The clerk in Barstow, the Clerk IV in Victorville and a relief clerk in Victorville who helps on busy days and fills in for absences know the combination. The combination is also kept on file in a safe located in the Fiscal and Administrative Services (FAS) program in San Bernardino.

Finding Two: **Cash control procedures need to be improved.**

The daily manual receipts are kept in an unorganized manner making it difficult to reconcile the daily receipts to the cash collected. Also, money gathered for a going-away party was kept in the clinic's safe and copies of voided receipts are not kept for the clinic's records. Attributes of a well-organized accounting system, which is the foundation for a strong control structure, include: organizing daily receipts, keeping County and non-county funds separate, and maintaining copies for voided receipts.

Recommendation:

Keep daily receipts organized to facilitate the reconciliation process. Avoid the commingling of county and non-county funds. Keep documentation of voided receipts either in the form of a photocopy of the voided receipt or a goldenrod carbon copy of the voided receipt package. Require all cashiers to review the Internal Controls and Cash Manual.

Response:

FAS has a Cashiering Procedures Manual that has been sent out to all Public Health facilities that collect money. Official receipts are issued from FAS in San Bernardino and accounted for (in numerical sequence) after deposits have been made to the Bank of America. Voided receipts (with all copies) are to be included.

All Public Health facilities have been sent a copy of the County's Internal Controls and Cash Manual for reference.

Finding Three: Separation of duties over cash receipts and deposits could be improved.

Accounting duties for cash receipts and deposits are not properly separated. The employee responsible for collecting cash and issuing cash receipts is also responsible for reconciling cash receipts and preparing the deposit at the close of the clinic. The risk that errors and fraud can be perpetrated and concealed increases when duties are not properly separated.

Recommendation:

Have a supervisor sign-off on the reconciliation and deposit slips verifying that cash receipts agree with the day's manual receipts. Also, make deposits at the end of each week so that large sums of cash are not stored over the weekend.

Response:

The Clerk IV who works in Victorville is the direct supervisor of the PIC in Barstow. She indicates that the money from the clinic is picked up each Thursday morning by armored transport. She regularly schedules an additional clerk from Victorville to Barstow each Monday and Thursday as well as every other Tuesday. This schedule will allow another clerk to actually prepare the deposit on Monday but it will not alleviate the need to keep all collected monies in the safe until pick up. The clinic routinely collects approximately \$175.00 per week.

Acknowledgements

We wish to thank the management and staff for their full cooperation during our audit.

Respectfully submitted,

Copies to:

Larry Walker
Auditor/Controller-Recorder

County Administrative Office
Board of Supervisors
Grand Jury (2)
Audit File (3)

By: _____
David Bobbitt
Supervising Accountant III
Internal Audit Section

Date Report Distributed: _____

LDW:HMO:DVB:spr

AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

AUDITOR/CONTROLLER • 222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830

RECORDER • COUNTY CLERK • 222 West Hospitality Lane, First Floor
San Bernardino, CA 92415-0022 • (909) 387-8306 • Fax (909) 386-8940

LARRY WALKER
Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK
Assistant Auditor/Controller-Recorder
Assistant County Clerk

July 5, 2001

Doug Hallen, Public Health Programs Administrator
Department of Public Health
351 North Mt. View Avenue
San Bernardino, CA 92415

**SUBJECT: PUBLIC HEALTH ADMINISTRATION - SURPRISE CASH COUNT
JULY 5, 2001.**

Introductory Remarks

We have completed a surprise cash count at Public Health Administration at 172 West 3rd Street on July 5, 2001. We conducted the audit according to the authority granted under Article V, Section 6 of the San Bernardino County Charter and the Board of Supervisors' Policy Statement of Internal Operational Auditing.

Audit Background

We reviewed cash handling procedures, and verified deposit intactness and cash fund amounts. Our review covered cash control procedures in effect as of July 5, 2001 and was made in accordance with the standards developed by the Institute of Internal Auditors. We also reviewed compliance with procedures outlined in the Internal Controls and Cash Manual.

This review, made for the limited purpose described above, would not necessarily disclose all material weaknesses in the internal controls.

A draft was sent to Administration on April 25, 2002 and was discussed at the Exit Conference on May 22, 2002. Responses to our recommendations dated June 19, 2002 are included in this report.

Audit Results

Major control weaknesses were not noted in the cash handling procedures at Administration. However, we did note certain areas where internal controls could be strengthened. Our findings and recommendations are presented below.

FINDING AND RECOMMENDATIONS

Finding One: **Internal Audits was not notified of a cash loss that occurred on October 6, 2000.**

The department did not notify the Internal Audit Section, Auditor/Controller-Recorder of a cash loss totaling \$145. The Internal Controls and Cash Manual (ICCM), Section 4-6 requires a department to report cash shortages which appear to be due to fraud/embezzlement, or theft directly and immediately to the following entities:

Law Enforcement
Risk Management
Auditor/Controller-Recorder (Internal Audits Section)

Each entity has specific responsibilities that are required to be carryout as set forth in the ICCM. The ICCM further requires the department to petition the Board of Supervisors requesting relief of Liability if a loss exceeds \$200.

Recommendation:

Follow procedures in the Internal Controls and Cash Manual, Section 4-6, outlining steps to follow when a cash loss occurs. Notify appropriate authorities of the theft as soon as possible. If the loss exceeds \$200, submit a petition to the Board of Supervisors requesting relief from liability of the cash loss.

Response:

Unfortunately, because of the way the Department is set up FAS is not always aware that a cash shortage (or suspected theft) has occurred until days, or sometimes longer, after the incident. FAS staff always remind the programs to do an incident report and file a police report, if dictated by the circumstances, when they become aware of the incident. In this case the \$145 loss referred to was actually a combination of two separate incidents that were documented at the same time; one from 10/06/00 for \$95 and 11/14/00 for \$50.00. The Department has always worked with the understanding that notifying Risk Management by way of the incident report was also in fact the way Internal Audits was notified.

Finding Two: **Two clinic locations do not have a copy of the Internal Controls and Cash Manual (ICCM).**

The Barstow and San Bernardino STD Clinics do not have a copy of the Internal Controls and Cash Manual (ICCM). The ICCM provides management with guidance concerning internal controls and County employees with basic guidelines and standardized operating procedures for all phases of handling cash.

Recommendation:

Distribute copies of the Internal Controls and Cash Manual (ICCM) to all Public Health site locations that handle cash. Furthermore, require all Public Health employees that handle cash to be familiar with the ICCM.

Response:

As indicated above, this has been taken care of. The audits specific referral to STD clinics is problematic since this clinic may be staffed by visiting staff who might not know if the manual is in fact available. It is also unknown what this finding has to do with a surprise cash count.

Acknowledgements

We wish to thank the management and staff for their full cooperation during our surprise cash count.

Respectfully submitted,

Copies to:

Larry Walker
Auditor/Controller-Recorder

County Administrative Office
Board of Supervisors
Grand Jury (2)
Audit File (3)

By: _____

Date Report Distributed: _____

David Bobbitt
Supervising Accountant III
Internal Audit Section

LDW:DVB:JR:spr.1

AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

AUDITOR/CONTROLLER • 222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830

RECORDER • COUNTY CLERK • 222 West Hospitality Lane, First Floor
San Bernardino, CA 92415-0022 • (909) 387-8306 • Fax (909) 386-8940

LARRY WALKER
Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK
Assistant Auditor/Controller-Recorder
Assistant County Clerk

July 29, 2002

Roger Weaver, Director
Fleet Management Department
210 North Lena Road
San Bernardino, CA 92415

**SUBJECT: FLEET MANAGEMENT DEPARTMENT INVENTORY FOR THE FISCAL
YEAR ENDED JUNE 30, 2002.**

Introductory Remarks

In accordance with Section V of the Auditor/Controller's Year-end Closing Manual, the Fleet Management personnel conducted an inventory of the Warehouse, Parts Room, Weld Shop, Tire Shop, and Fuel and Oil Reserves. We observed the inventory on June 1, 2002, and have reported on the inventory valuation below.

Scope of the Audit

We audited the inventory procedures and controls in effect over the June 1, 2002 inventory. Our audit was made in accordance with generally accepted auditing standards and included such tests of the records and other auditing procedures we considered necessary in the circumstances. The audit work performed during the audit would not necessarily disclose all material weaknesses in the system of internal controls.

Audit Results

In our opinion, \$585,402 computed using the average inventory cost method, is a fair valuation of Fleet Management's Warehouse – Garage inventory as of June 30, 2002; furthermore, \$244,191 is a fair valuation of Fleet Management's fuel and oil inventory as of June 30, 2002.

WILLIAM H. RANDOLPH
County Administrative Officer

Board of Supervisors
BILL POSTMUS First District DENNIS HANSBERGER Third District
JON D. MIKELS Second District FRED AGUIAR Fourth District
JERRY EAVES Fifth District

ACKNOWLEDGMENTS

We appreciate the cooperation and assistance provided to the auditors by the management and staff of Fleet Management Department.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By: _____
Jason Redden
Internal Auditor I
Internal Audits Section

Copies to:

County Administrative Office
Board of Supervisors
Grand Jury (2)

Audit File (3)

Date Report Distributed: _____

LDW:DVB:RD:dlp.1

AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

AUDITOR/CONTROLLER • 222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830

RECORDER • COUNTY CLERK • 222 West Hospitality Lane, First Floor
San Bernardino, CA 92415-0022 • (909) 387-8306 • Fax (909) 386-8940

LARRY WALKER
Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK
Assistant Auditor/Controller-Recorder
Assistant County Clerk

July 12, 2002

AURELIO W. DEL LA TORRE, Director
ISG - Purchasing
777 East Rialto Avenue
San Bernardino, CA 92415-0765

**SUBJECT: AUDIT OF THE CENTRAL STORES INVENTORY VALUATION AS OF
JUNE 27, 2002**

Introductory Remarks

In accordance with Section V of the Auditor/Controller-Recorder's Year-End Closing Manual, Central Stores conducted an inventory of all stock items. We observed the physical inventory on June 27, 2002 and have issued our opinion below on the inventory valuation.

Auditor's Opinion

Our audit of the Central Stores inventory was made in accordance with generally accepted auditing standards and included such tests of the accounting records and other procedures as we considered necessary in the circumstances. Our audit would not necessarily disclose all material weaknesses in the system of internal control.

In our opinion, \$513,588 computed using the average inventory cost method is a fair valuation of the Central Stores inventory at June 30, 2002.


Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

Copies to:

County Administrative Office
Board of Supervisors
Grand Jury (2)

By:


Jason Redden
Internal Auditor I
Internal Audits Section

Audit File (3)

Date Report Distributed: 7/22/02

WILLIAM H. RANDOLPH
County Administrative Officer
LDW:DVB:JR:dlp.1

Board of Supervisors
BILL POSTMUS First District
JON O. MIKELS Second District
JERRY EAVES Fifth District
DENNIS HANSBERGER Third District
FRED AGUIAR Fourth District

AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

AUDITOR/CONTROLLER • 222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830
RECORDER • COUNTY CLERK • 222 West Hospitality Lane, First Floor
San Bernardino, CA 92415-0022 • (909) 387-8306 • Fax (909) 386-8940

LARRY WALKER
Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK
Assistant Auditor/Controller-Recorder
Assistant County Clerk

May 7, 2002

Executive Committee
c/o Thomas R. Laurin
Agua Mansa Industrial Growth Association
Economic and Community Development
290 North "D" Street, Sixth Floor
San Bernardino, CA 92415-0040

**Subject: MANAGEMENT LETTER – JOINT POWERS AUTHORITY –AGUA
MANSA INDUSTRIAL GROWTH ASSOCIATION- FOR THE FISCAL
YEAR ENDED JUNE 30, 2001**

Introductory Remarks

In compliance with Section 6505 of the California Government Code, we have completed an audit of Agua Mansa Industrial Growth Association (AMIGA), for the fiscal year ended June 30, 2001.

Auditor's Report

We have audited the accompanying balance sheet of AMIGA as of June 30, 2001, and the related Statement of Revenues, Expenses and Changes in Retained Earnings and Cash Flows for the year then ended, dated May 7, 2002. In planning and performing our audit of the financial statements, we considered internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal controls. However, we noted a matter involving the internal control and its operation, which is presented for your consideration.

We do not consider the matter to be a reportable condition under the standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our opinion, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with assertion of management in the financial statements. We have not considered internal controls since the date of our report.

WILLIAM H. RANDOLPH
County Administrative Officer

Board of Supervisors
BILL POSTMUS First District **DENNIS HANSBERGER** Third District
JON D. MIKELS Second District **FRED AGUIAR** Fourth District
JERRY EAVES Fifth District

These comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal controls or result in other operating efficiencies and are summarized as follows.

FINDING AND RECOMMENDATIONS

Finding One: **The procedures to ensure collection of membership assessment fees need improvement.**

Accounts receivable for membership assessment fees at June 30, 2001 totaled \$36,000. These receivables are for the City of Riverside (\$18,000) for the fiscal years 1994/1995, 1997/1998, 1998/1999, and the County of Riverside (\$18,000) for the fiscal years 1997/1998, 1999/2000, and 2000/2001. Subsequent to the fiscal year end June 30 2001, the City of Riverside and the County of Riverside paid \$18,000 and \$12,000 respectively in December 2001 for annual fees from prior years.

The current procedure to collect accounts receivable consists of a remittance advice sent to each jurisdiction, and a phone call is made to the jurisdiction for delinquent receivables. AMIGA personnel did not keep a schedule of the accounts receivable or adopt other procedures to collect delinquent receivables.

Recommendations

Develop and implement additional procedures to systematically track and collect delinquent membership assessment receivables.

Audit Response

The following changes have been made to our procedures:

- 1) A schedule of accounts receivable is now maintained for all five jurisdictions which participate in the joint power authority.
- 2) In order to facilitate more accurate tracking, language has been added to the invoice sent to the participating jurisdictions requesting that the year be specified for which payment is being made.
- 3) In addition to phone calls, written reminder notices are now sent following the annual invoice to jurisdictions, which have past due accounts.

Management Letter
Thomas R. Laurin
Agua Mansa Industrial Growth Association
May 7, 2002
Page 3 of 3

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

Copies to:
County Administrative Officer
Board of Supervisors
Grand Jury (2)
AMIGA
Audit file

By: _____
RoseAnn Trujillo
Internal Auditor I
Internal Audits Division

LDW:DVB:RAT:dlp

AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

AUDITOR/CONTROLLER • 222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830

RECORDER • COUNTY CLERK • 222 West Hospitality Lane, First Floor
San Bernardino, CA 92415-0022 • (909) 387-8306 • Fax (909) 386-8940

LARRY WALKER
Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK
Assistant Auditor/Controller-Recorder
Assistant County Clerk

March 29, 2002

PETER HILLS, County Fire Chief
Office of Special Districts
157 West Fifth Street, Second Floor
San Bernardino, CA 92415-0450

**SUBJECT: AUDIT OF AMBULANCE BILLINGS FOR THE FISCAL YEARS ENDED
 JUNE 30, 2000 and 2001**

Introductory Remarks

We have audited the Office of Special District's accounts receivable ambulance accruals and reviewed internal controls for the department that processes ambulance billings. The ambulance accounts receivable accruals were reviewed for:

- County Service Area 29
- County Service Area 56
- County Service Area 70, Zone HL (Lake Havasu)
- County Service Area 82 - Zone SV1
- Lake Arrowhead Fire Protection District
- Yucca Valley Fire Protection District

Scope of Audit

Our audit was made in accordance with generally accepted auditing standards and included tests of:

- Estimates used to determine Accounts Receivable collection percentages.
- Internal accounting and administrative controls with respect to the ambulance billings and collection efforts.

The audit work performed would not necessarily disclose all material weaknesses in internal controls.

Separate reports were issued for the district's financial statements.

Our findings and recommendations were provided to the Office of Special District's on July 5, 2002. Management's responses were received on August 2, 2002 and have been incorporated into our report.

Action Taken on Prior Recommendations

The recommendations for prior findings 3 and 4 in the audit dated March 24, 1998, were adopted. Recommendations for further action regarding prior findings 1 and 2 are presented below.

Prior Finding 1 (March 24, 1998):

The history of subsequent Accounts Receivable collections differs significantly from the estimates used to determine accruals in some cases.

Prior Recommendation:

Study the collection history of the Accounts Receivable for the past 12 months. Compare actual amounts collected in the future to those accrued and update the estimated collection percentage if necessary.

Action Taken:

The Collection percentage estimates used to calculate each fire district's accounts receivable accrual was based on data from the Internal Audits Section audit analysis completed for the year ended June 30, 1998.

The actual collection percentages differed significantly from the estimated accrual percentages for the year ended June 30, 2000 and 2001.

Further Recommended Action:

Continue to work on implementing a 12-month analysis of each fiscal year's collection history. Use the collection percentages determined in the analysis to identify the bad debt write off percentages to be used at fiscal year end.

Department Response:

June 2002 accruals were compiled using a 12-month and a 5 year analysis of data, this was compared to using the formula based system that was used in the past. Both systems produced comparatively similar accrual data. Because the percent of collection and the number of transports vary greatly month to month and year to year due to a combination of many factors that cannot always be anticipated, accrual estimates often differ materially from accruals.

Prior Finding 2 (March 24, 1998): The Office of Special Districts would benefit from updating the accounts receivable computer software.

Prior Recommendation:

Consider updating or replacing the accounts receivable software.

Action Taken:

The Office of Special Districts has been waiting for a new version of the current software to be released. The current software does not have controls that ensure accurate and consistent account data. Account balances do not always accurately reflect the dates that services are posted, and the dates that payments are received.

For example, the system posted 14 payments (\$4,651) made prior to June 30, 2000 to the next fiscal year. We noted similar occurrences in 8 payments (\$3,630) made prior to June 30, 2001 posted to the next fiscal year.

In addition, 67 discrepancies in 2001 and 56 discrepancies in 2000 were found in the service and billing dates by comparing the Accounts Receivable Aging and Transaction Reports and the Ambulance Tickets. The discrepancies affect:

- Accounts Receivable balances
- Accrual estimates
- Payment and billing dates
- Account information
- Account analysis

Further Recommended Action:

Evaluate the new version the accounts receivable software as soon as it becomes available or consider replacing the software with a different kind.

Department Response:

Our billing software vendor has recently notified us that the new version of the accounts receivable package is finally ready and they will be contacting us to set up a demonstration within the next two months. We will evaluate what they have available and if it does not meet our needs, we will be looking for a new accounts receivable software package

We would like to express our appreciation for the cooperation and assistance provided to the auditor by the management and staff of the Office of Special Districts.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

Copies to:

County Administrative Office
Board of Supervisors
Grand Jury (2)

Audit File (3)

By: _____
Sheila Schneider
Senior Internal Auditor
Internal Audits Section

Date Report Distributed: _____

LDW:DVB:SS:dlp.4